



## Senate

General Assembly

**File No. 261**

February Session, 2008

Substitute Senate Bill No. 365

*Senate, March 31, 2008*

The Committee on Labor and Public Employees reported through SEN. PRAGUE of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING TAX CREDITS FOR EMPLOYERS AND TAX CREDITS FOR THE TEMPORARY FAMILY ASSISTANCE PROGRAM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1      Section 1. (NEW) (*Effective October 1, 2008*) (a) As used in this  
2      section: "Business firm" means any business entity authorized to do  
3      business in this state and subject to the corporation business tax  
4      imposed under chapter 208 of the general statutes.

5      (b) Any business firm that opens a child day care service on site or  
6      near the workplace for its employees, in any income year commencing  
7      on or after January 1, 2009, may apply to the Labor Commissioner for  
8      an allocation of a tax credit in an amount equal to one thousand dollars  
9      for each income year such service is in existence. The application for a  
10     tax credit under this subsection shall set forth information that said  
11     commissioner deems necessary in regulations adopted in accordance  
12     with chapter 54 of the general statutes.

13 (c) Applications for such tax credit shall be submitted annually,  
14 before such expenditures are made, to the Labor Commissioner on or  
15 after July first but not later than December thirty-first. The  
16 commissioner shall approve or disapprove each application not later  
17 than sixty days after its submission to the commissioner based on (1)  
18 the compliance of such application with the provisions of this section,  
19 and (2) regulations adopted pursuant to this section. The  
20 commissioner shall approve applications in the order in which they are  
21 received in the commissioner's office between July first and December  
22 thirty-first of each year. If the commissioner approves the application  
23 of the business firm, the commissioner shall allocate and commit an  
24 amount of tax credits to such business firm.

25 Sec. 2. (NEW) (*Effective October 1, 2008*) (a) As used in this section:

26 (1) "Employer" means any person, firm or corporation, including the  
27 state and any political subdivision of the state, which has employees;  
28 and

29 (2) "Qualifying employee" means any employee who is employed  
30 not less than thirty-five hours per week by the same business firm.

31 (b) Any employer that employs one hundred or more qualifying  
32 employees and offers a flextime program, whereby a qualifying  
33 employee may choose to begin work anytime between six and nine  
34 a.m. in any income year commencing on or after January 1, 2009, may  
35 apply to the Labor Commissioner for an allocation of a tax credit in an  
36 amount equal to ten per cent for each income year such flextime  
37 program is offered by such employer. The application for a tax credit  
38 under this subsection shall set forth information that said  
39 commissioner deems necessary in regulations adopted in accordance  
40 with chapter 54 of the general statutes.

41 (c) Applications for such tax credit shall be submitted annually,  
42 before such expenditures are made, to the Labor Commissioner on or  
43 after July first but not later than December thirty-first. The  
44 commissioner shall approve or disapprove each application not later

45 than sixty days after its submission to the commissioner based on (1)  
 46 the compliance of such application with the provisions of this section,  
 47 and (2) regulations adopted pursuant to this section. The  
 48 commissioner shall approve applications in the order in which they are  
 49 received in the commissioner's office between July first and December  
 50 thirty-first of each year. If the commissioner approves the application  
 51 of the business firm, the commissioner shall allocate and commit an  
 52 amount of tax credits to such business firm. Any employer receiving  
 53 such an allocation shall, not later thirty days after the end of its income  
 54 year, submit a report on the number of qualifying employees  
 55 employed by such firm during such year.

56 (d) The credit shall be claimed on the tax return for the income year  
 57 during which qualifying employees were provided the option of  
 58 participating in such flextime program.

59 Sec. 3. (*Effective from passage and applicable to income years commencing*  
 60 *on or after January 1, 2009*) Section 12-217y of the general statutes is  
 61 repealed.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2008</i>	New section
Sec. 2	<i>October 1, 2008</i>	New section
Sec. 3	<i>from passage and applicable to income years commencing on or after January 1, 2009</i>	Repealer section

**LAB**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Department of Revenue Services	GF - Revenue Loss	See Below	See Below
Labor Dept.	GF - Cost	Potential	Potential
Department of Revenue Services	GF - Cost	250,000	None

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

Section 1 of the bill creates tax credits for businesses opening a child day care service in or near the workplace to serve employees. This is estimated to result in a General Fund revenue loss from the corporation business tax of about \$172,000 per year beginning in FY 09. The estimate was developed based on the number of companies that annually claimed the Human Capital Investment<sup>1</sup> credit.

Section 2 of the bill creates tax credits for public and private employers with over 100 employees that implement an employee flextime work schedule program. The fiscal impact of this credit program can not be determined because it does not specify a tax in which the tax credit would be applied against and does not specify the parameters for the calculation of the tax credit.

Section 3 of the bill eliminates the Temporary Family Assistance (TFA) tax credit and will result in a minimal revenue gain. In tax year

<sup>1</sup> The Human Capital Investment credit provides a corporate business tax credit for, among other things, day care facilities and subsidies. Corporations can earn a tax credit equal to (1) 5% of the cost (planning, construction, renovation, and acquisition) to establish a day care facility for the children of employees or (2) 5% of the cost of subsidies to employees for the cost of child care (CGS § 12-217x). In the past about 172 businesses take advantage of the human capital investment credit per year.

2005, one company claimed \$147 against the TFA tax credit.

The bill could result in a cost to the Department of Labor associated with an additional staff person (annual salary of \$66,000 and full fringe benefits of \$38,700) to accept, review, and approve applications (submitted annually) as well as allocate tax credits for qualifying businesses.

The Department of Revenue Services would also incur one time costs of approximately \$250,000 in FY 09 for systems development to administer the provisions of the bill.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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**OLR Bill Analysis****sSB 365*****AN ACT CONCERNING TAX CREDITS FOR EMPLOYERS AND TAX CREDITS FOR THE TEMPORARY FAMILY ASSISTANCE PROGRAM.*****SUMMARY:**

This bill creates tax credits for (1) businesses opening a child day care service in or near the workplace to serve employees and (2) public and private employers with over 100 employees that implement an employee flextime work schedule program. A business that pays the corporation business tax may qualify for an annual credit of up to \$1,000 for the workplace child day care provision. State tax law already provides an employer tax credit for providing child day care for employees (see BACKGROUND). The flextime work schedule provision provides a 10% credit but does not indicate what tax it applies to (see COMMENT).

It also repeals a corporation business tax credit for businesses that hire employees who are or were receiving Temporary Family Assistance (TFA) benefits for at least nine months. The program gives businesses a credit of up to \$125 per month for each individual on TFA who was hired.

EFFECTIVE DATE: October 1, 2008, except for the tax credit repeal, which is effective upon passage and applicable to income years starting on or after January 1, 2009.

**CHILD DAY CARE TAX CREDIT**

The bill applies to any business entity authorized to do business in Connecticut and subject to the corporation business tax.

Any such business that opens a child day care service in or near the workplace for its employees can apply to the labor commissioner for a tax credit equal to \$1,000 for each income year the service is in existence. The credit can apply to any income year commencing on or after January 1, 2009.

The labor commissioner must adopt regulations stating the necessary information required in the tax credit applications.

Tax credit applications must be submitted annually to the commissioner on or after July 1 until December 31. The commissioner must approve or deny each application within 60 days of submission. The decision must be based on (1) the application's compliance with the bill's provisions and (2) regulations adopted pursuant to it.

Applications must be reviewed in the order they are received. If the commissioner approves a business' application, the commissioner must allocate and commit an amount of tax credits to that business.

#### **EMPLOYEE FLEXTIME SCHEDULE CREDIT**

The bill defines an employer as any person, firm, or corporation, including the state and its political subdivisions, which has employees. This includes municipalities, tax districts, school districts, water and sewer authorities, and other local bodies with the authority to tax or provide services.

The credit would be available to employers that (1) employ 100 or more employees, who each work at least 35 hours a week and (2) offer a flextime program, where such employees can choose to begin work anytime between six and nine a.m. in any income year commencing on or after January 1, 2009. Such employers can apply to the labor commissioner for an allocation of a tax credit in an amount equal to 10% for each income year such flextime program is offered by such employer. The bill does not say to what tax the 10% credit will be applied labor (see COMMENT).

The commissioner must adopt regulations that state the necessary

information required in the tax credit applications.

Tax credit applications must be submitted annually to the commissioner on or after July 1 until December 31. The commissioner must approve or deny each application within 60 days of submission. The decision must be based on (1) the application's compliance with the provisions of the bill and (2) regulations adopted pursuant to the bill.

Applications must be reviewed in the order they are received. If the commissioner approves a business' application, the commissioner must allocate and commit an amount of tax credits to that business.

An employer receiving such a credit must, not later than 30 days after the end of its income year, submit a report on the number of qualifying employees it employed during that year. The credit must be claimed on the tax return for the income year during which qualifying employees were provided the option of participating in the flextime program.

## **COMMENT**

### ***Tax Credit Not Linked to an Actual Tax***

The bill's provision providing a tax credit for employee flextime schedule programs does not indicate what tax the credit would be applied to. Tax credits must be connected to a tax which they would be applied against.

## **BACKGROUND**

### ***Corporation Tax Credit for Child Day Care***

State law provides a corporate business tax credit for human capital investments including, among other things, day care facilities and subsidies. Corporations can earn a tax credit equal to (1) 5% of the cost (planning, construction, renovation, and acquisition) to establish a day care facility for the children of employees or (2) 5% of the cost of subsidies to employees for the cost of child care (CGS § 12-217x).

## **COMMITTEE ACTION**



## Labor and Public Employees Committee

Joint Favorable Substitute

Yea 8      Nay 1      (03/11/2008)